

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9888 / August 12, 2015

SECURITIES EXCHANGE ACT OF 1934
Release No. 75674 / August 12, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16744

In the Matter of

KUMAR GURSAHANEY,

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 8A OF THE SECURITIES ACT
OF 1933 AND SECTION 21C OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING A
CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Kumar Gursahaney (“Gursahaney” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V., Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist (“Order”), as set forth below.

III. Summary

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

1. From at least April 2010 through approximately September 2010 (the "Relevant Period"), DJSP Enterprises, Inc. ("DJSP") prematurely recognized revenue related to its foreclosure processing services in its financial statements filed with the Commission. DJSP was in the business of, among other things, providing administrative paperwork processing services in connection with residential mortgage foreclosures. DJSP's premature revenue recognition departed from generally accepted accounting principles ("GAAP"). DJSP prematurely recognized revenue because it underestimated the average amount of time required to process foreclosure files and also misallocated revenue at various stages of the foreclosure process. As a result, DJSP overstated revenues by at least 7% for 2008, 10% for 2009, 20% for the first quarter of 2010, and 7% for the second quarter of 2010.

2. As DJSP's CFO, Gursahaney maintained responsibility for the accuracy of DJSP's financial statements. Gursahaney, however, failed to ensure that the company properly estimated its revenue from processing foreclosure files. Gursahaney also failed to implement adequate internal controls related to revenue recognition, notwithstanding deficiencies noted by the company's auditors related to, among other things, the area of revenue recognition, and other red flags suggesting that the average time to process foreclosure files exceeded the company's estimate. As a result, Gursahaney caused DJSP's reporting, record keeping, and internal controls violations.

Respondent

3. Kumar Gursahaney, age 58, resides in Palm Beach Gardens, Florida. He served as DJSP's interim CFO beginning in September 2009 and as CFO from January 15, 2010 until October 19, 2010.

Relevant Entities

4. DJSP, a British Virgin Islands corporation based in Plantation, Florida, provided non-legal processing services in connection with residential mortgage foreclosures. DJSP's ordinary shares were registered with the Commission pursuant to Section 12(b) of the Exchange Act until June 2011, 90 days after DJSP filed a Form 25 with the Commission voluntary delisting and deregistering its common stock. DJSP's stock traded on the NASDAQ until March 8, 2011. DJSP's stock is currently quoted on OTC Link operated by OTC Markets Group, Inc. DJSP no longer operates in the mortgage foreclosure business.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

5. The Law Offices of David J. Stern, P.A. (“Law Firm”), a law firm located in Plantation, Florida. The Law Firm provided clients with legal services and related non-legal support in connection with residential mortgage foreclosures, bankruptcy, complex real estate litigation, evictions and lender foreclosure sales. In August 2010, the Law Firm became the subject of an investigation by the Florida Attorney General concerning allegations of robo-signing. In March 2011, the Law Firm ceased the practice of law with respect to all foreclosure matters in Florida.

Facts

Background

6. Following the real estate market crash in 2008, the Law Firm experienced rapid growth in its foreclosure business in Florida. The Law Firm represented as clients numerous large banks that serviced mortgages.

7. DJSP was created on January 15, 2010, when a publicly traded special purpose acquisition company purchased and took public the non-legal, back office operation of the privately held Law Firm responsible for foreclosure paperwork processing (the “Processing Division”). The Processing Division included all of the services provided by the Law Firm’s paralegals and other non-lawyers related to residential mortgage foreclosures.

8. In connection with DJSP’s formation, DJSP and the Law Firm entered into a written 25-year Services Agreement in which the Law Firm agreed to utilize exclusively DJSP’s processing services for all non-legal services the Law Firm required for its mortgage foreclosure business. Pursuant to the Services Agreement, DJSP charged the Law Firm a fixed fee for each foreclosure file DJSP processed for the Law Firm. The Law Firm, in turn, billed its clients for the Law Firm’s legal fees, including the processing fees it paid DJSP.

DJSP Needed Carve-Out Financials

9. When the Processing Division spun off into publicly-traded DJSP, DJSP was required to file with the Commission periodic reports that included audited financial statements prepared in conformity with GAAP. In order to prepare such statements, DJSP was required to have financial statements for the Processing Division for 2008 and 2009 prepared as if the Processing Division had been a standalone entity. These statements, known as “carve out financials,” had to be prepared using a GAAP compliance method for recognizing revenues, meaning revenue would be recognized when earned and realized. Prior to DJSP’s formation, the Law Firm, including its Processing Division, functioned on a cash-based method, meaning revenue was recognized when cash was received.

10. In preparation for taking DJSP public, to assist in preparing financial statements for DJSP on a GAAP compliant method, the Law Firm hired a business consulting firm to provide financial advisory services. The Law Firm also hired a public accounting firm to audit the 2008 and 2009 carve out financial statements for the Law Firm’s Processing Division.

DJSP's Revenue Recognition Model

11. In an effort to prepare GAAP compliant financial statements reflecting revenue for foreclosure processing services, the consulting firm calculated an estimate of the average length of time required to process a foreclosure file based on a timeline of certain steps or "milestones" in the foreclosure process. These milestones included the average times in which certain events occurred, such as filing of a complaint for foreclosure, filing of a motion for summary judgment, issuance of a judgment, and property sale. The consulting firm requested data from the Law Firm regarding the timing of the milestones for certain of the Law Firm's foreclosure case files, and determined that the average length of time it took to process a foreclosure file was between 120 and 240 days in 2008 and 240 days in 2009, through using what the consulting firm and DJSP referred to as the "lag analysis." Based on this lag analysis, carve-out financials were prepared for DJSP separating the processing division (DJSP) from the Law Firm.

12. The public accounting firm that audited the Processing Division's 2008 and 2009 financial statements reviewed the consulting firm's determination of the average length of time to process a foreclosure file, and did not disagree with the consulting firm's determination. However, as early as October 2009, the public accounting firm identified a significant deficiency in the area of revenue recognition. The accounting firm repeated this concern in a management letter sent to DJSP in April 2010.

13. By at least February 2010, Gursahaney had received a copy of the October 2009 accounting firm letter noting a significant deficiency. Gursahaney was DJSP's CFO when the company received the accounting firm's April 2010 letter again noting a significant deficiency. Gursahaney failed to adequately address the accounting firm's concerns, failed to put adequate internal control over financial reporting into place, and failed to ensure that DJSP followed its own revenue recognition policy.

Gursahaney Caused DJSP's False Financial Statements

14. Using the average times for processing foreclosure files of between 120 and 240 days in the year 2008 and 240 days in the year 2009, DJSP reported total revenues of \$107 million for 2008 and \$121 million for 2009 in its Form 20-F for the fiscal period ended December 31, 2009, filed on April 2, 2010 ("Form 20-F"), of which approximately \$65 million and \$73 million, respectively, was for foreclosure processing services. DJSP reported in its Form 20-F that it used the proportional performance method for recognizing revenue for foreclosure files, using certain milestones based on work performed, and that it calculated revenue based on the 240-day average estimate for closing foreclosure files. This information was repeated in subsequent amendments to the Form 20-F filed on April 26, 2010, June 25, 2010, and July 1, 2010.

15. DJSP reported in its Form 20-F that for fiscal years 2008 and 2009, it recognized 50 percent of the foreclosure processing fee during the first 30 to 60 days after referral of the file and the remaining 50 percent of the fee by the end of the 240 day-period. By day 240, DJSP recognized the entire foreclosure fee, regardless of whether a file had been closed within 240 days.

DJSP's revenue model improperly relied upon the 240-day estimate because it was a significant understatement of the actual foreclosure file processing time during 2008, 2009 and 2010.

16. The 240-day estimate was calculated as the average number of days from the time a client referred the file to the Law Firm to the time when the firm invoiced a second bill to the client based on data in the Law Firm's billing system. By using this billing data, the second bill was incorrectly treated as the point where a foreclosure file reached completion or was "closed," meaning that DJSP performed no further work on the file. However, the second bill did not necessarily represent the point at which DJSP completed all work on a foreclosure file. A second bill could be triggered by a number of events other than a file closing, including a file being put on hold by the servicer, or a file going into litigation or bankruptcy. These events often resulted in DJSP performing significant additional work on the file after the second bill date, and also resulted in the file staying open past the 240-day average.

17. In performing the lag analysis, data from DJSP's internal system that tracked the actual progress of foreclosure files was not used (instead, billing system data was used). Based on data from DJSP's internal system, the average time to process a foreclosure file was at least 298 days in 2008, 393 days in 2009, 480 days for the first quarter of 2010, and 501 days for the second quarter of 2010. Therefore, the 240-day average used for DJSP's revenue calculations significantly underestimated the true average time to process a foreclosure file.

18. In addition to improperly prematurely recognizing revenue on day 240 of a file's existence, when all the work on the file was not complete, DJSP's revenue model also caused the company to misallocate the amount of revenue earned in the first 30 to 60 days as 50 percent in 2008 and 2009 and 75 percent in 2010. At most, DJSP performed only 40 percent of the work on a foreclosure file during the first 30 to 60 days. DJSP, therefore, prematurely recognized revenue during the earlier process segments.

19. As a result of DJSP's premature revenue recognition, DJSP overstated revenues by at least 7% for 2008, 10% for 2009, 20% for the first quarter of 2010, and 7% for the second quarter of 2010. DJSP also overstated net income by at least 11% for 2008, 16% for 2009, 35% for the first quarter of 2010, and 15% for the second quarter of 2010.

20. As result of the conduct described above, DJSP's Form 20-F and subsequent amendments thereto, and its Forms 6-K which included financial statements for the first and second quarters of 2010, furnished on May 28, 2010 and September 22, 2010, respectively, contained false statements concerning DJSP's financial results.

21. On July 1, 2010, DJSP commenced a share offering through the filing of a Form S-8 registration statement (the "Form S-8"). The Form S-8 specifically incorporates by reference DJSP's Form 20-F and subsequent amendments thereto. The Form S-8, and DJSP's other Commission filings referenced herein, were filed electronically on EDGAR, the Electronic Data Gathering, Analysis and Retrieval system, a database that is freely available to the public via the Internet.

22. Gursahaney maintained responsibility for the company's financial statements in the company's Forms 20-F and Forms 6-K filings and thereby caused DJSP's false statements concerning its financial results. Gursahaney signed DJSP's Form S-8 as the company's Chief Financial Officer. Gursahaney also signed the Form S-8 as the "Attorney-in-fact" for six DJSP directors through Power of Attorney documents the directors executed.

Gursahaney's Awareness that DJSP Underestimated Foreclosure Processing Times

23. As CFO, Gursahaney maintained responsibility for ensuring that DJSP's books and records properly reflected the financial condition of the company. However, Gursahaney failed to ensure that DJSP's books and records properly reflected revenue earned for processing foreclosure files and that the company used a reliable estimate of foreclosure processing times.

24. DJSP's Form 20-F, filed April 2, 2010 and subsequent amendments, which Gursahaney signed, included information relating to processing times that was inconsistent with the revenue model that DJSP was employing. Specifically, the report stated that the average time to process foreclosures in the state of Florida was over 12 months. Gursahaney, however, failed to question why the lag analysis, a major factor in calculating DJSP's revenue, estimated a processing time for the company far below the average for the state. Had Gursahaney questioned inconsistencies in the company's filings, he may have discovered that the company significantly underestimated its foreclosure processing time.

25. Furthermore, Gursahaney became aware of other information that should have led him to question the continued use of the 240 day estimate for fiscal year 2010.

26. Specifically, in February 2010, Gursahaney attended a DJSP earnings call in which he became aware that in December 2009, the Florida Supreme Court imposed a mediation requirement for foreclosure cases, causing a 120 day delay in the majority of foreclosure cases processed by the company.

27. In March 2010, Gursahaney attended another DJSP earnings call and became aware that in the first quarter of 2010, the pace in which foreclosure files were processed had slowed due to government abatement programs.

28. In April 2010, Gursahaney attended a call with analysts in which DJSP's Chief Executive Officer announced that approximately 50 percent of foreclosure cases processed by DJSP were litigated, which caused additional processing time.

29. In May 2010, Gursahaney participated in a response to an SEC comment letter concerning DJSP's Form F-1 registration statement. DJSP's response letter to the SEC, which Gursahaney helped prepare, contained information indicating that DJSP's foreclosure files took more than a year to close and revealing a growing backlog of foreclosure files.

30. Finally, in June 2010, DJSP's Chief Information Officer informed Gursahaney that the true average processing times exceeded the estimated 240 days.

Gursahaney Caused DJSP's Internal Control Deficiencies

31. DJSP's premature recognition of foreclosure processing revenue was the result of its failure to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that its financial statements were prepared in conformity with GAAP. DJSP failed to adequately address concerns raised by its auditors in 2009 when the auditors identified a significant deficiency in the area of revenue recognition. DJSP also failed to follow its written revenue recognition policy provided to its auditors. DJSP further lacked adequate and experienced accounting staff. Additionally, DJSP failed to document the methodology used for calculating the average number of days to process foreclosure files or the support behind the data and allocations used to recognize revenue. Finally, DJSP failed to ensure that the 240-day average calculation was updated when significant events occurred that extended the average time to process files, such as a new rule enacted in December 2009 requiring mediation of foreclosure cases and implementation of government refinance and loan modification programs.

32. As CFO, Gursahaney had responsibility for DJSP's system of internal accounting controls. Despite the significant deficiencies raised by the company's auditors, Gursahaney failed to devise and maintain an adequate system of internal accounting controls relating to revenue recognition.

Violations

33. As a result of the conduct described above, Gursahaney violated Section 17(a)(3) of the Securities Act, which prohibits engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit in the offer or sale of securities. In connection with the conduct described above, Gursahaney directly or indirectly, in the offer or sale of securities, made use of the means or instruments of transportation or communication in interstate commerce.

34. As a result of the conduct described above, Gursahaney caused DJSP's violations of Section 13(a) of the Exchange Act and Rules 13a-1, 13a-16, and 12b-20 thereunder, which require every issuer of a security registered pursuant to Section 12 of the Exchange Act to file with or furnish the Commission information, documents, and annual and other reports as the Commission may require, and mandate that such reports contain such further material information as may be necessary to make the required statements not misleading.

35. As a result of the conduct described above, Gursahaney caused DJSP's violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, which require reporting companies to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets and to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent cease and desist from committing or causing any violations of and any future violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 13a-1, 13a-16 and 12b-20 thereunder;

B. Pursuant to Section 8A of the Securities Act, Respondent cease and desist from committing or causing any violations of and any future violations of Section 17(a)(3) of the Securities Act;

C. Respondent shall pay civil penalties of \$50,000, to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). Payment shall be made in the following installments:

- (a) within 10 days of the entry of the Order, a payment of \$25,000 that Respondent has escrowed with his counsel;
- (b) within 60 days of the entry of the Order, a payment of \$2,500;
- (c) within 90 days of the entry of the Order, a payment of \$2,500;
- (d) within 120 days of the entry of the Order, a payment of \$2,500;
- (e) within 150 days of the entry of the Order, a payment of \$2,500;
- (f) within 180 days of the entry of the Order, a payment of \$2,500;
- (g) within 210 days of the entry of the Order, a payment of \$2,500;
- (h) within 240 days of the entry of the Order, a payment of \$2,500;
- (i) within 270 days of the entry of the Order, a payment of \$2,500;
- (j) within 300 days of the entry of the Order, a payment of \$2,500;
- (k) within 330 days of the entry of the Order, a payment of \$2,500.

If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of disgorgement, prejudgment interest, and civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 or pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or

- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Gursahaney as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Glenn S. Gordon, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, Miami Regional Office, 801 Brickell Avenue, Suite 1800, Miami, Florida 33131.

D. Such civil money penalty may be distributed pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended ("Fair Fund distribution"). Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary